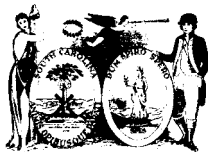


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 21, 2001

Mr. Paul Morris, Chief Financial Officer
QHG of South Carolina, Inc.
Post Office Box 100550
Florence, South Carolina 29501

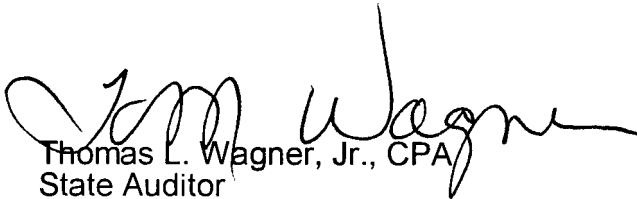
Re: AC# 3-CHP-F6 – Carolinas Hospital System Transitional Care Unit

Dear Mr. Morris:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1995 through June 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**CAROLINAS HOSPITAL SYSTEM
TRANSITIONAL CARE UNIT**

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-CHP-F6**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

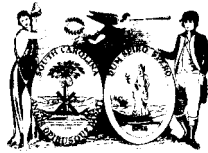
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 14, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Carolinas Hospital System Transitional Care Unit, for the contract periods beginning October 1, 1997, and for the twelve month cost report period ended June 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

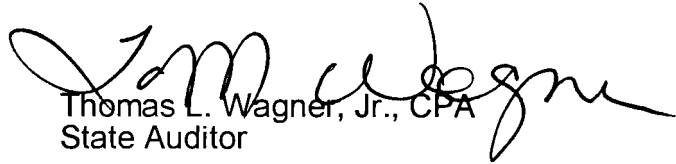
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Carolinas Hospital System Transitional Care Unit, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Carolinas Hospital System Transitional Care Unit dated as of February 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 14, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-CHP-F6

	10/01/97- <u>09/30/98</u>
Interim reimbursement rate (1)	\$101.08
Adjusted reimbursement rate	<u>99.84</u> (2)
Decrease in reimbursement rate	\$ <u><u>1.24</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

(2) As provided under Article IV, Section E of the Provider's contract dated as of February 1, 1995 as amended, "The Provider agrees that the rate charged to SCDHHS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Computation of Adjusted Reimbursement Rate

For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-CHP-F6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$112.10	\$51.03	
Dietary		28.18	10.55	
Laundry/Housekeeping/Maint.		<u>14.64</u>	<u>7.53</u>	
Subtotal	\$ <u>-</u>	154.92	69.11	\$ 69.11
Administration & Med. Rec.	\$ <u>-</u>	<u>30.00</u>	<u>9.06</u>	<u>9.06</u>
Subtotal		184.92	<u>\$78.17</u>	78.17
<u>Costs Not Subject to Standards:</u>				
Utilities		4.14		4.14
Special Services		-		-
Medical Supplies & Oxygen		4.31		4.31
Taxes and Insurance		.50		.50
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$193.89</u>		87.14
Inflation Factor (4.40%)				3.83
Cost of Capital				22.17
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$113.64</u>

CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1996
AC# 3-CHP-F6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,685,334	\$ 65,795 (1)	\$ -	\$1,751,129
Dietary	519,219	-	78,988 (1)	440,231
Laundry	95,215	-	20,090 (1)	75,125
Housekeeping	54,673	-	8,400 (1)	46,273
Maintenance	184,088	-	76,823 (1)	107,265
Administration & Medical Records	519,548	-	50,900 (1)	468,648
Utilities	69,687	-	5,062 (1)	64,625
Special Services	-	-	-	-
Medical Supplies & Oxygen	67,132	131 (1)	-	67,263
Taxes and Insurance	41,104	-	33,302 (1)	7,802
Legal Fees	-	273 (1)	-	273
Cost of Capital	110,538	178,848 (1)	-	346,257
		<u>56,871</u> (2)		
Subtotal	3,346,538	301,918	273,565	3,374,891

CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1996
AC# 3-CHP-F6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	764,821	-	764,821 (1)	-
Non-Allowable	1,013,297	-	628,710 (1)	327,716
	<u> </u>	<u> </u>	<u>56,871 (2)</u>	<u> </u>
Total Operating Expenses	<u>\$5,124,656</u>	<u>\$301,918</u>	<u>\$1,723,967</u>	<u>\$3,702,607</u>
Total Patient Days	<u>15,621</u>	<u>-</u>	<u>-</u>	<u>15,621</u>
Total Beds	<u>44</u>			

CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Adjustment Report
Cost Report Period Ended June 30, 1996
AC# 3-CHP-F6

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$ 65,795	
	Medical Supplies	131	
	Legal	273	
	Cost of Capital	178,848	
	Other Equity	1,422,049	
	Dietary		\$ 78,988
	Laundry		20,090
	Housekeeping		8,400
	Maintenance		76,823
	Administration		50,900
	Utilities		5,062
	Taxes and Insurance		33,302
	Ancillary		764,821
	Nonallowable		628,710
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	56,871	
	Nonallowable		56,871
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,723,967</u>	<u>\$1,723,967</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 1996
AC# 3-CHP-F6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>19</u>	<u>25</u>	
Deemed Asset Value	627,418	825,550	
Improvements Since 1981	102,039	-	
Accumulated Depreciation at 6/30/96	<u>(325,112)</u>	<u>(14,879)</u>	
Deemed Depreciated Value	404,345	810,671	
Market Rate of Return	<u>.070</u>	<u>.070</u>	
Total Annual Return	28,304	56,747	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	28,304	56,747	
Depreciation Expense	196,670	64,536	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	224,974	121,283	\$346,257
Total Patient Days (Minimum 97% Occupancy)	<u>6,745</u>	<u>8,876</u>	<u>15,621</u>
Cost of Capital Per Diem	\$ <u>33.35</u>	\$ <u>13.66</u>	\$ <u>22.17</u>

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